

**PT 99-41**

**Tax Type: PROPERTY TAX**

**Issue: Educational Ownership/Use**

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE  
OFFICE OF ADMINISTRATIVE HEARINGS  
CHICAGO, ILLINOIS**

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**MAHARISHI AYUR-VEDA UNIVERSITY,  
APPLICANT**

**v.**

**THE DEPARTMENT OF REVENUE  
OF THE STATE OF ILLINOIS**

**Docket No: 98-PT-0012  
(95-16-0773)**

**Real Estate Exemption  
For 1995 Tax Year**

**P.I.N. 17-15-301-013**

**Cook County Parcel**

**Robert C. Rymek  
Administrative Law Judge**

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**RECOMMENDATION FOR DISPOSITION**

**APPEARANCES:** David Ballinger and James Doherty of Thomas M. Tully & Associates on behalf of the applicant.

**SYNOPSIS:** This proceeding raises the issue of whether Cook County Parcel Index Number 17-15-301-013 (hereinafter the “subject property”) should be exempt from 1995 real estate taxes under sections 15-65 of the Property Tax Code. 35 ILCS 200/15-65.

This controversy arose as follows:

On October 26, 1995, Maharishi Ayur-Veda University (hereinafter “applicant”) filed a Property Tax Exemption Complaint with the Cook County Board of (Tax) Appeals. The Board reviewed the applicant’s complaint and on April 17, 1996, recommended that the exemption be denied. On November 15, 1996, the Illinois Department of Revenue adopted the Board’s recommendation, concluding that the property was “not in exempt

ownership” and “not in exempt use.” The Applicant filed a timely appeal from the Department’s denial of exemption. On January 25, 1999, a formal administrative hearing was held at which evidence was presented. Following a careful review of all the evidence it is recommended that the subject parcel not be exempted from 1995 real estate taxes.

### **FINDINGS OF FACT**

1. Dept. Gr. Ex. No. 1 and Dept. Ex. No. 2 establish the Department’s jurisdiction over this matter and its position that the subject parcel was not in exempt use and not in exempt ownership during 1995.
2. The subject property is located at 636 S. Michigan Avenue, Chicago, Illinois. It is improved with a 315,000 to 320,000 square foot building, which is commonly known as the Blackstone Hotel. Dept. Gr. Ex. No. 1, Doc. A; Tr. pp. 22-23.
3. The Applicant acquired title to the subject property on July 28, 1995, by means of a warranty deed and a trustee’s deed. App. Gr. Ex. No. 4, Doc. A, B.
4. On December 2, 1992, the applicant was incorporated under the General Not for Profit Corporation Act of Illinois. App. Ex. No.5.
5. The applicant’s articles of incorporation provide that the applicant was organized for educational purposes. App. Ex. No. 5.
6. The applicant’s bylaws provide that “The Board of Trustees shall authorize the corporation to begin offering degree granting programs only after the International Accreditation Board of Maharishi Vedic Education Development Corporation has investigated all of the corporation’s activities

\*\*\* and in its sole discretion, approved the corporation to begin offering such programs.” App. Ex. No. 6.

7. The Internal Revenue Service granted the applicant an exemption from federal income taxes on November 10, 1993 pursuant to section 501(c)(3) of the Internal Revenue Code. App. Ex. No. 7. Tr. p. 35.
8. During 1995, the applicant used approximately 16% (49,520 square feet) of the Blackstone Hotel building for its own purposes and leased the remaining 84% of the building to Heaven on Earth Inns Corporation, a Delaware based for-profit corporation. App. Ex. Nos. 1, 2, 3; Tr. pp. 23-30.
9. Heaven on Earth Inns Corporation used the 84% of the building it leased as a for-profit hotel. Tr. pp. 18, 21.
10. The applicant has between 40 and 42 staff workers who work as either teachers or administrators. These workers receive undisclosed salaries, which includes housing in the 16% of the building used by the applicant. Tr. pp. 36-37, 41.
11. The applicant offers courses in the “vedic sciences” and has approximately 30 students during any given week. Tr. pp. 37, 42, 57.
12. The purpose of the “vedic sciences” is to develop intelligence and relieve stress. Many of the applicant’s courses are oriented toward the prevention of illness. Tr. pp. 44, 46.
13. The following is a list of courses offered by the applicant, followed by a short description of the course:
  - (a) Good Health Through Prevention – delves into concept of what can be done to prevent illness with an emphasis on diet.

- (b) Self-Pulse Reading Course for Prevention – relates to detecting “balance and imbalance in the physiology by taking the pulse.”
- (c) Diet, Digestion and Nutrition – prevention of illness through diet.
- (d) Transcendental Meditation Program – Stress relief technique with purpose of “enhancing one’s inner-intelligence.”
- (e) Transcendental Meditation Sidhi Program, including Yogic Flying – advanced transcendental meditation program.
- (f) Discovery of Veda and Vedic Literature in Human Physiology – study of “the laws of nature that structure the human physiology.”
- (g) The Art of Metabolizing Experience – understanding how experience affects health.
- (h) Higher States of Consciousness – study of the systematic way that “the mind grows and expands.”
- (i) Maharishi Yoga – learning yoga postures and physical exercises and how they influence health and development of the mind.
- (j) Maharishi Jyotish – “a very systematic course of understanding how to predict future trends.”
- (k) Maharishi Gandharva Veda – study of music’s influence on physiology.
- (l) Maharishi Sthapatya Veda – use of natural law in architecture and city planning to promote good health.
- (m) Reversal of Aging – understanding what can be done to retard or slow down the aging process.

App. Ex. No. 8; Tr. pp. 44-54.

## **CONCLUSIONS OF LAW**

The applicant concedes that the 86% of the subject property which is rented to Heaven on Earth Inns Corporation is not entitled to exemption from 1995 property taxes. Tr. pp. 63-64. Rather, the applicant simply contends that the 16% of the subject property which the applicant itself uses should be exempt as property used for school purposes. Tr. pp. 7-8.

An examination of the record establishes that this applicant has not demonstrated by the presentation of testimony or through exhibits or argument, evidence sufficient to warrant an exemption from property taxes for the 1995 tax year. Accordingly, under the

reasoning given below, the determination by the Department that the above-captioned parcel does not qualify for exemption should be affirmed. In support thereof, I make the following conclusions:

Article IX, Section 6 of the Illinois Constitution of 1970 limits the General Assembly's power to exempt property from taxation as follows:

The General Assembly by law may exempt from taxation only the property of the State, units of local government and school districts and property used exclusively for agricultural and horticultural societies, and for school, religious, cemetery and charitable purposes.

The General Assembly may not broaden or enlarge the tax exemptions permitted by the constitution or grant exemptions other than those authorized by the constitution. Board of Certified Safety Professionals v. Johnson, 112 Ill. 2d 542 (1986). Furthermore, Article IX, Section 6 does not, in and of itself, grant any exemptions. Rather, it merely authorizes the General Assembly to confer tax exemptions within the limitations imposed by the constitution. Locust Grove Cemetery v. Rose, 16 Ill. 2d 132 (1959). Thus, the General Assembly is not constitutionally required to exempt any property from taxation and may place restrictions or limitations on those exemptions it chooses to grant. Village of Oak Park v. Rosewell, 115 Ill. App. 3d 497 (1<sup>st</sup> Dist. 1983).

In accordance with its constitutional authority, the General Assembly enacted section 15-35 of the Property Tax Code, which exempts all property, which is used for school or educational purposes. 35 ILCS 200/15-35. However, the statute does not expressly define what constitutes school or educational purposes. Carpenters Apprentice and Trainee Program v. Department of Revenue, 293 Ill. App. 3d 600, 607 (1<sup>st</sup> Dist. 1997). Accordingly, there has been an ongoing series of attempts, by a wide range of schools in

the private sector, to qualify for exemption under section 15-35. *Id.* However, only a small percentage of these private applicants have succeeded in court. *Id.*

There are two primary factors to be considered when determining whether a given property qualifies for exemption under section 15-35: (1) whether the property in question contained a school which offered an established, commonly accepted program of academic instruction; and (2) whether the program in question substantially lessened what would otherwise have been a governmental obligation. Coyne Electrical School v. Paschen, 12 Ill. 2d 387, 392-93 (1957). In making these determinations, it must also be remembered that statutes exempting property from taxation are to be strictly construed in favor of taxation (Harrisburg-Raleigh Airport Authority v. Department of Revenue, 126 Ill. 2d 326, 331 (1989)) and that all facts are to be construed and all debatable questions resolved in favor of taxation. City of Chicago v. Department of Revenue, 147 Ill. 2d 484, 491-92 (1992). In addition, the taxpayer seeking the exemption bears the burden of proving by clear and convincing evidence that the exemption applies. Evangelical Hospitals Corp. v. Department of Revenue, 223 Ill. App. 3d 225, 231 (2<sup>nd</sup> Dist. 1991).

Here, the applicant initially contends that it need not prove by clear and convincing evidence that it was a school because the Department's tentative denial of exemption stated that the bases for denial were "THE PROPERTY IS NOT IN EXEMPT OWNERSHIP" and "THE PROPERTY IS NOT IN EXEMPT USE." Dept. Ex. No. 2. The applicant argues that by using such wording, the Department "implicitly admitted that the applicant was a school." Tr. p. 14.

The applicant offers no legal authority in support of this argument. Moreover, the applicant's argument also appears to be without logical support. Merely because the

Department concluded the subject property was not in exempt ownership and not in exempt use does not mean that the Department “implicitly admitted” the applicant is a school, any more than it would mean that the Department “implicitly admitted” the applicant is a municipal organization, an orphanage, a veteran’s organization, or any one of the other classes of organization whose property is eligible for exemption. See 35 ILCS 200/15-35 *et seq.*<sup>1</sup>

I believe it is obvious that since the Department’s denial was based, at least in part, on the Department’s express conclusion that “[t]he property is not in exempt ownership,” it was incumbent upon the applicant to provide evidence establishing that the applicant fits in one of the classes of organization whose property is statutorily eligible for exemption. Applicant’s counsel apparently recognized the weakness of the applicant’s “implicit admission” argument and wisely chose to present evidence in an attempt to establish that the subject property was owned by a school and used exclusively for school purposes. Tr. p. 13. However, after carefully reviewing the evidence, I conclude that the applicant did not prove by clear and convincing evidence that the subject property is entitled to exemption.

The courses offered by the applicant are set forth in detail in Finding of Fact No. 13, *supra*, and need not be restated here. Rather, it is sufficient to note that these courses do not fall into the traditional academic subject areas such as math, language, science or history. In that regard, the case at hand seems factually similar to Oasis v. Rosewell, 55 Ill. App. 3d 851 (1<sup>st</sup> Dist. 1977). In Oasis, the court denied exemption to a “growth center”

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<sup>1</sup> This is especially true in a case such as this, where the applicant’s application for exemption did not set forth the statutory basis upon which the exemption was being sought

organized “[t]o discover and disseminate those truths in religion and philosophy and the behavioral sciences which promote actualization of human potential and growth.” *Id.* at 853. The Oasis court concluded that although “the programs offered at Oasis may be deemed ‘educational’ in a broad sense, it cannot be maintained that the plaintiff’s course of study fits into the scheme of education currently in vogue in Illinois[.]” *Id.* at 857. The Oasis court further concluded that there was no “clear legislative mandate” in support of the applicant’s particular program and no “indication that the instruction offered by Oasis substantially lessens the burden of taxation occasioned by our public school system.” *Id.* at 857. I find that the reasoning and conclusions set forth by the Oasis court strongly support the denial of exemption in the case at hand.

For the reasons set forth above, I recommend that the subject parcel be denied exemption from 1995 real estate taxes.

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Date

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Robert C. Rymek  
Administrative Law Judge

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and where the legal basis for the applicant’s exemption request remained unclear until the hearing date. Dept. Ex. No. 1; Tr. p. 11.